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Blockchain Bites: Foreign Crypto Exchanges welcome to service the US? What's the Catch?; Ready, set, go: New AML/CTF rules tabled in Parliament; Hang ten: Gemini joins the crypto IPO wave

Steven Pettigrove, Luke Higgins and Emma Assaf of the Piper Alderman Blockchain Group bring you the latest legal, regulatory and project updates in Blockchain and Digital Law.

Foreign Crypto Exchanges welcome to service the US? What's the Catch?

Last week Acting Chairman Pham of the Commodities Futures Trading Commission (**CFTC**), which regulates commodities, futures and derivatives, issued guidance to make clear that non-US exchanges could register with the CFTC to provide services to US users, as part of the CFTC's 'crypto sprint'.

Positioned as a way to 'legally onshore trading activity that was driven out of the United States due to … regulation by enforcement", the guidance intends to give:

> *American companies that were forced to set up shop in foreign jurisdictions to facilitate crypto asset trading … a path back to U.S. markets.*

It is a welcome development for exchanges to be able to have a pathway to service the US market, albeit one which will be challenging. An overseas exchange wanting to register will need to register as a Foreign Board Of Trade (an **FBOT**). In order to do so they need to meet the criteria set out s48.2 of Title 17 which defines "Board of Trade" as:

> *any board of trade, exchange or market located outside the United States, its territories or possessions, whether incorporated or unincorporated.*

Five compliance points are required for an FBOT to register, they must:

1. Possess the attributes of an established, organized exchange;
2. Adhere to appropriate rules prohibiting abusive trading practices;
3. Enforce appropriate rules to maintain market and financial integrity;
4. Have been authorized by a regulatory process that examines customer and market protections; and
5. Are subject to continued oversight by a regulator that has power to intervene in the market and the authority to share information with the CFTC.

Many of these will, of course, be impossible for any decentralised exchange (DEX) to comply with, given they do not have regulatory oversight and operate from smart contracts. For centralised exchanges (CEX) in addition to these requirements, s48.7 requires other matters including:

1. The operators must be fit and proper persons;
2. There must be rules and processes to avoid conflicts of interest;
3. There must be rules to prohibit disclosure of information which board / committee members have gained as a result

of being part of the FBOT, including after their departure; and
4. Terms and conditions must be available in the US and offer products which could be offered to a designated contract market (DCM), be cleared, not be illegal in the USA and not be readily susceptible to manipulation.

Further requirements apply, and it will be a tall order for any CEX to obtain CFTC FBOT registration, but this is a world of difference from the position recently where CEX entities outside the US would simply not be able to serve US customers (for example FTX had FTX US as it's onshore vehicle for US customers and expanded from crypto into stocks, Binance was fined US $1.35B for letting US customers circumvent blocks etc). This gives a pathway for offshore crypto exchanges to consider how they can access one of the biggest markets in the world for their products, in a regulated way.

Written by Steven Pettigrove and Luke Higgins

Ready, set, go: New AML/CTF rules tabled in Parliament

The Australian Transaction Reports Analysis Centre (**AUSTRAC**) has officially tabled the new *Anti-Money Laundering and Counter-Terrorism Financing Rules 2025* (**AML/CTF Rules**) in Parliament, following a two-stage public consultation process. AUSTRAC received 229 submissions and considered this feedback in finalising the AML/CTF Rules.

The AML/CTF Rules are now contained in two instruments:

1. The **AML/CTF Rules** detailing the finer requirements for reporting entities under the amended *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth); and
2. The *Anti-Money Laundering and Counter-Terrorism Financing (Class Exemptions and Other Matters) Rules 2007*.

AUSTRAC has also published a comparison table between the second exposure draft (**ED2**) and the final rules. Below, we summarise the key sections we identified in a previous article relating to virtual asset service providers (**VASPs**) and note whether they have been amended or are unchanged, as well as any new rules:

Provision	Outline	Status
1-6 Enrolment details	Section 1-6 specifies that the 'enrolment details' defined in section 5 of the AML/CTF Act are those listed in sections 3.2, 3.3 and 3.4 of the AML/CTF Rules. The details apply to all applications and must be provided when enrolling as a reporting entity. ED2 introduced additional requirements such as the number of employers and whether the entity is a member of any industry or professional associations which is reflected in the new rules.	Unchanged

1-7 Registrable details	Under the ED2 rules, remittance service providers (**RSPs**) and VASPs must apply for registration with AUSTRAC before offering registrable services in addition to enrolling as reporting entities. Registration is different from enrolment because AUSTRAC must review and approve the application before granting registration. According to the Explanatory Memorandum, an important aspect of the definition of 'registrable details' is that it determines what information AUSTRAC will publish on the Remittance Sector Register and the Virtual Asset Service Provider Register. This information can be accessed by foreign regulators and law enforcement agencies to allow them to verify that a person is appropriately regulated for AML/CTF to provide remittance or virtual asset services. The published details include the person's name, ABN, the address of their principal place of business and the domain names of any websites through which services are provided.	Amended
3-2 Information about applicant's designated services	This section prescribes the information required in an enrolment application. Section 3-2(2) requires the applicant to advise whether it is registered, has applied or intends to apply for registration on the VASP register.	Unchanged (previously section 2-2)
4-2 Publication of register information	Subsection 4.2(1) requires the AUSTRAC CEO to publish the person's name, the registrable details outlined above and an indication if the person's registration is suspended on the VASP register.	Amended (previously section 3-2)
4-4 Application – general information	The rule specifies the general identifying, ownership and operating structure information the candidate must include in their application such as identities of beneficial owners and the size, nature and complexity of the business.	Amended (previously section 3-4)
4-5 Information relating to ML/TF risks	This section requires the applicant to identify the ML/TF risks they might face in providing their services, in five broad categories: 1. the types of customers they service; 2. foreign countries they operate in; 3. the specific products and services offered; 4. the delivery channels used to provide services; and 5. the types of transactions undertaken.	Unchanged (previously section 3-5)
4-6 Information relating to AML/CTF policies	This section sets out the information required to be provided in a registration application about the candidate's AML/CTF policies such as whether training is in place, whether policies are regularly reviewed and updated and undertaking due diligence on employees.	Amended (previously section 3-6)

4-14 Additional requirements for VASP registration	Section 4-14 sets out the additional requirements for VASP registration such as the types of virtual assets offered, the delivery channels used to provide them, whether transaction or time limits apply and the expected average monthly number of designated services provided. Wallet address information must also be provided.	Unchanged (previously 3-14)
5-3 Policies related to targeted financial sanctions	Under a new requirement introduced in ED2, all reporting entities must develop and maintain AML/CTF policies to ensure compliance with targeted financial sanctions when providing designated services.	Amended (previously 5-3). The amendment replaces the ED2 terminology of 'money, property or virtual assets' to simply 'assets'.
6-21 Establishing source of wealth	This is a new section that requires, when undertaking both initial and ongoing CDD where enhanced CDD obligations arise, a reporting entity must establish the source of wealth or funds of a customer.	**New**
6-22 Enhanced CDD requirements for certain virtual asset services	This is a new section that requires a reporting entity to apply enhanced CDD measures on a customer where the customer has deposited or received physical currency in the course of exchanging virtual money or assets under item 50A of table 1 of the AML/CTF Act (s 6). Enhanced CDD includes: 1. collecting and verifying KYC information on the customer's source of wealth (noting the additional trigger in 6-21); and 2. collecting and verifying KYC information on the customer's source of funds for every transaction involving the exchange of physical currency for virtual assets or vice versa. According to the Explanatory Memorandum, '[t]his section responds to the inherently very high ML/TF risks presented by crypto-ATM and other physical currency based virtual asset exchange services' (at [401]).	**New**

Unless disallowed by Parliament, the new AML/CTF rules will come into effect on:

- 31 March 2026 for current reporting entities and VASPs, excluding threshold transaction and suspicious matter reporting which will remain the same until 2029;
- Enrolment for newly regulated sectors (tranche 2) will begin on 31 March 2026; and
- AML/CTF obligations for tranche 2 entities will begin on 1 July 2026.

In July of this year, AUSTRAC CEO Brendan Thomas released a media statement outlining AUSTRAC's regulatory expectations for the implementation of the AML/CTF reforms. While perfection is not expected from day one, AUSTRAC emphasised that reporting entities must remain focused on identifying, mitigating and managing their money laundering risks.

However, AUSTRAC has yet to formally confirm that it will automatically transition all DCEs to VASP registration on the basis that they will apply enhanced compliance obligations required by the reforms and the process for varying a registration to include new designated services. To date, AUSTRAC has only confirmed that transitional relief will apply while a VASP application is awaiting processing. With the deadline for the regime counting down, it is hoped that

AUSTRAC will provide further guidance on these matters in short order.

With the tabling of the new AML/CTF Rules, both existing and newly regulated reporting entities now have the additional clarity and detail needed to begin updating their AML/CTF programs, ensuring they are effective and compliant ahead of the new reforms. While the Parliament has 15 sitting days (until late November) to review the rules, it is anticipated that the rules will come into effect in their current form beginning in March next week.

Written by Steven Pettigrove and Emma Assaf

Hang ten: Gemini joins the crypto IPO wave

Global cryptocurrency exchanges are racing to go public, and Gemini is the latest to join the pack, announcing plans for a US $317 million fundraising through an initial public offering (**IPO**). Co-founded by Cameron and Tyler Winklevoss, Gemini's IPO plans would value the company at US $2.3 billion, with shares expected to debut between $17-$19 under the ticker GEMI. While the official listing date is yet to be confirmed, Gemini's move to go public underscores a broader shift: crypto firms are increasingly turning to public markets in pursuit of capital, stability and legitimacy.

Several major players have already joined the IPO wave to date:

1. Circle, issuer of the USDC stablecoin, staged the largest crypto IPO since Coinbase. Its shares more than doubled to $69 at its opening, from its debut price of $31.
2. Bullish, an institutional focused cryptocurrency exchange, raised US $1.15 billion from its IPO, with its stock peaking at $118, and now has a $45 price target.
3. eToro, the trading and investment platform, raised approximately US $620 million in its IPO, with its stock trading at $67 a share on its debut, 29% ahead of its $52 debut price.
4. Kraken is reportedly eyeing an IPO in early 2026, and seeking a US $15 billion valuation and to raise $500 million.

Why move towards the public market?

1. Capital and credibility

IPOs offer crypto firms access to stable, large-scale funding while delivering the legitimacy of traditional financial markets. This shift is especially appealing to the sector amid the volatility of private fundraising and token sales.

2. Regulatory clarity

The US regulatory landscape has shifted dramatically in the last year, with the early 2025 GENIUS Act providing clarity for stablecoin issuers and mandating full backing of stablecoins with cash or US treasuries. Together with anticipated market structure reforms, these changes are encouraging responsible innovation and growth.

3. Political tailwinds

Under the Trump administration, regulators have pivoted their approach on enforcement, refocusing on fraud and shelving long-running cases involving regulatory compliance. The Securities and Exchange Commission (SEC) dropped its long-running securities lawsuit against Kraken in March, and has paused its case into Gemini's crypto lending program. This political shift has reduced legal uncertainty across the sector.

Who is rushing to go public?

The entities heading to public markets share a common thread as Josef Schuster, CEO of IPOX told Reuters:

With the current administration strongly supportive of the space, the (IPO) pipeline is likely to remain active for well-structured, compliance-forward players.

Those who have made the move are aligning themselves with regulatory frameworks and CTF/AML obligations of traditional financial institutions, such as Circle's move to end TRON support prior to its IPO and Bullish's decision to receive IPO proceeds in stablecoin.

What happens after the IPO?

While IPOs spark initial investor excitement, the public market tends to cool post-debut, prompting questions and critiques on the long-term valuations of these entities. Despite the regulatory shift towards industry adoption, earnings will come

under scrutiny as listed companies face quarterly earnings calls. This cooling effect is reflective of Coinbase's IPO, with its shares rocketing to $429 above its debut price of $250, and now sitting at $300. The public markets also have potential to magnify the impact of crypto market cycles.

Moving forward

Gemini's IPO marks another chapter in crypto's (somewhat ironic) evolution from fringe finance to mainstream market contender. As companies like Circle, Bullish, and eToro pave the way (with Kraken waiting in the wings), the message is clear: public markets are becoming a new frontier for crypto capital and credibility. With regulatory clarity improving, the IPO wave reflects a maturing industry ready to play by the rules, raise serious/institutional capital, and reshape the financial system from within.

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